

California Public Utilities Commission

Energy Division

Audit Report - Supplement

San Diego Gas & Electric Company

Interruptible Load & Rotating Outage Programs Memorandum Account For Years 2001, 2002, and 2003

Prepared by
Fred E. Tamse
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I. Executive Summary - Supplement

On May 20, 2005, Energy Division submitted audit reports on the Interruptible Load Management Program (ILMP) Memorandum Accounts (ILPMA) of Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E). Administrative Law Judge Gottstein issued a ruling soliciting comments on the audit reports.

On June 7, 2005, ALJ Gottstein issued a ruling soliciting comments on Energy Division's audit of ILPMA of PG&E, SCE, and SDG&E (Utilities). Parties were directed to file their comments on June 15, 2005, with reply comments due on June 29, 2005.

The Utilities commented on the audit findings and recommendations of the Energy Division's (ED) auditor on June 15, 2005.

SDG&E submitted its comments disagreeing with the auditor's recommendation to disallow the Incentive Compensation Plan (ICP) costs for years 2001, 2002, and 2003 amounting to \$126,986.

The Energy Division auditor disallowed \$126,986 of ICP costs relating to years 2001 (\$18,581), 2002 (\$80,253), and 2003 (\$28,152). The disallowance was recommended based on the Commission Decision D.04-12-015 regarding SDG&E's Cost of Service (CS) - TY2004 application whereby the Commission disallowed \$18.086 million or 50% of SDG&E's forecasted ICP costs. The ED auditor compared CS TY2004 basis (i.e., years 2001 recorded costs, and escalated 2002-2003 costs) with the Commission decision for CS TY2004. Because SDG&E's TY2004 CS decision disallowed 50% of ICP costs (i.e., a 50% overstatement of ICP costs amounting to \$18.086 million), the bases of TY2004 ICP forecast and the audited ILROPMA years (i.e., years 2001-2003) were therefore overstated.

SDG&E disagreed with the Energy Division auditor's methodology stating that:

“...the appropriate comparison would have been recorded 2001-2003 costs against the amounts that were authorized in D.98-12-038 (SDG&E 1999 Cost of Service). Because the Commission did not order utilities to establish the new programs [ILMP] until 2001, the program costs including ICP would have not been anticipated during the preparation of the 1999 Cost of Service filing and, therefore, not included in the revenue requirements adopted for the years 1999 through 2003.”

Energy Division accepts SDG&E's comment. SDG&E should be allowed \$126,986 ICP costs for years 2001, 2002, and 2003. Therefore, the Commission should allow SDG&E recovery of its ILMP incremental costs totaling \$1,692,212 (net of adjustments) for years 2001 through 2003.

The Energy Division auditor originally recognized that the \$126,986 ICP costs for 2001, 2002, and 2003 were already included in the \$18.086 million disallowance made by the Commission in D.04-12-015. However, after further review of SDG&E's ICP costs for years 2001, 2002, and 2003, the Energy Division auditor is recommending that the \$126,986 ICP costs previously disallowed should be allowed [Refer to SDG&E ILROPMA Audit Report dated May 20, 2005 pages 3 of 15, and 11 and 12 of 15]. SDG&E's comments were considered and found to be valid and acceptable.

Therefore, SDG&E should be allowed to recover the incremental costs recorded in their ILROPMA for years 2001, 2002, and 2003 amounting to **\$1,692,212**, net of audit adjustments. Refer to Appendix A – Supplement, Page 4 of 4, and Exhibit I-1 below.

This audit supplement reverses the ICP disallowance originally recommended in the SDG&E ILROPMA Audit Report dated May 20, 2005. All other items and audit adjustments except for the ICP costs issue remain the same.

SDG&E's total recovery request as recorded in its ILROPMA for the years 2001-2003 was \$1,734,900 reduced by audit adjustments of \$42,688. Audit adjustments relate to differences in interest computation and accounting of incremental costs erroneously recorded in ILROPMA. [See ILROPMA Audit Report dated May 20, 2005 pages 10 & 13 of 15].

Appendix D in the May 20, 2005 ILROPMA Audit Report is now replaced by Appendix A – Supplement in this ILROPMA Audit Report Supplement. Total incremental costs allowed to be recovered as shown in Appendix A – Supplement, Page 4 of 4, is \$1,692,212.

**Exhibit I-1: SDG&E should be allowed to recover \$1,692,212
ILMP incremental costs incurred in 2001, 2002, and 2003
(In Dollars)**

	2001	2002	2003	Total
Per SDG&E (Note 1)	\$467,138	\$781,847	\$485,915	\$1,734,900
Audit Adjustments (Note 2)	33,781	(75,729)	(740)	(42,688)
Recovery Allowed	\$500,919	\$706,118	\$485,175	\$1,692,212

Note 1: SDG&E recovery requests were filed in their AEAP for 2002, 2003, and 2004.

Note 2: Audit Adjustments are in Appendix - A Supplement.

APPENDIX – A (Supplement)

	Page
A. Total Incremental Costs	1

San Diego Gas & Electric Company
Incremental Costs by Program
For Years 2001 - 2003

Incremental Costs per Detailed Report			
2001	2002	2003	Total

Rolling Blackout Reduction Program

Labor	0	118,657	65,851	184,508
Non-labor:				
Materials	260,866	6,251	1,002	268,119
Services	56,896	82,138	16,850	155,884
Miscellaneous	0	0	0	0
Telephone	6,515	1,933	8,246	16,694
Accounting Adjustments		(218,289)	5,741	(212,548)
Vehicle	4,048	8	0	4,056
Total Non Labor	328,325	(127,959)	31,839	232,205
Employee Benefits	0	1,026	7	1,033
Overhead	6,848	102,175	47,098	156,121
Total	335,173	93,899	144,795	573,867

Percentage of Labor to Total Incremental Costs	0.00%	126.37%	45.48%	32.15%
Percentage of Labor & Overhead to Total Incremental Costs	2.04%	235.18%	78.01%	59.36%
Percentage of Non-Labor to Total Incremental Costs	97.96%	-136.27%	21.99%	40.46%

Demand Bidding Program Account

Labor	0	119,038	34,973	154,011
Non-labor:				
Materials	0	17,087	228	17,315
Services	0	159,894	17,660	177,554
Miscellaneous	0	61,670	0	61,670
Telephone	0	0	0	0
Accounting Adjustments	0	19,808	(42,901)	(23,093)
Vehicle	0	0	0	0
Total Non Labor	0	258,459	(25,013)	233,446
Employee Benefits	0	1,690	832	2,522
Overhead	0	73,617	27,292	100,909
Total	0	452,804	38,084	490,888

Percentage of Labor to Total Incremental Costs		26.29%	91.83%	31.37%
Percentage of Labor & Overhead to Total Incremental Costs		42.55%	163.49%	51.93%
Percentage of Non-Labor to Total Incremental Costs		57.08%	-65.68%	47.56%

Air Conditioning Cycling Program

Labor	20,261	5,883	0	26,144
Non-labor:				
Materials	0	0	0	0
Services	45,907	619	0	46,526
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	4	(2)	0	2
Total Non Labor	45,911	617	0	46,528
Employee Benefits	889	(263)	0	626
Overhead	13,231	4,070	0	17,301
Total	80,292	10,307	0	90,599

Percentage of Labor to Total Incremental Costs	25.23%	57.08%		28.86%
Percentage of Labor & Overhead to Total Incremental Costs	41.71%	96.57%		47.95%
Percentage of Non-Labor to Total Incremental Costs	57.18%	5.99%		51.36%

San Diego Gas & Electric Company
Incremental Costs by Program
For Years 2001 - 2003

Incremental Costs per Detailed Report			
2001	2002	2003	Total

Scheduled Load Reduction Program

Labor	4,586	16,542	5,480	26,608
Non-labor:				
Materials	0	960	64	1,024
Services	0	11,190	10,498	21,688
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	0	0	0	0
Total Non Labor	0	12,150	10,562	22,712
Employee Benefits	0	46	0	46
Overhead	3,760	10,062	3,606	17,428
Total	8,346	38,800	19,648	66,794

Percentage of Labor to Total Incremental Costs	54.95%	42.63%	27.89%	39.84%
Percentage of Labor & Overhead to Total Incremental Costs	100.00%	68.57%	46.24%	65.93%
Percentage of Non-Labor to Total Incremental Costs	0.00%	31.31%	53.76%	34.00%

Optional Binding Mandatory Curtailment

Labor	10,771	14,740	5,675	31,186
Non-labor:				
Materials	0	753	0	753
Services	251	4,703	9,217	14,171
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	0	0	0	0
Total Non Labor	251	5,456	9,217	14,924
Employee Benefits	245	200	0	445
Overhead	5,992	9,076	3,973	19,041
Total	17,259	29,472	18,865	65,596

Percentage of Labor to Total Incremental Costs	62.41%	50.01%	30.08%	47.54%
Percentage of Labor & Overhead to Total Incremental Costs	97.13%	80.81%	51.14%	76.57%
Percentage of Non-Labor to Total Incremental Costs	1.45%	18.51%	48.86%	22.75%

Base Interruptible Program

Labor	2,362	18,269	7,767	28,398
Non-labor:				
Materials	0	960	0	960
Services	34	8,357	9,207	17,598
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	0	0	0	0
Total Non Labor	34	9,317	9,207	18,558
Employee Benefits	0	346	0	346
Overhead	715	11,273	5,082	17,070
Total	3,111	39,205	22,056	64,372

Percentage of Labor to Total Incremental Costs	75.92%	46.60%	35.21%	44.12%
Percentage of Labor & Overhead to Total Incremental Costs	98.91%	75.35%	58.26%	70.63%
Percentage of Non-Labor to Total Incremental Costs	1.09%	23.76%	41.74%	28.83%

San Diego Gas & Electric Company
Incremental Costs by Program
For Years 2001 - 2003

Incremental Costs per Detailed Report			
2001	2002	2003	Total

Temperature Sensitive

Labor	0	9,621	14,463	24,084
Non-labor:			0	
Materials	0	54	10,208	10,262
Services	0	11,177	0	11,177
Miscellaneous	0	9	0	9
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	0	0	0	0
Total Non Labor	0	11,240	10,208	21,448
Employee Benefits	0	39	0	39
Overhead	0	6,164	11,396	17,560
Total	0	27,064	36,067	63,131

Percentage of Labor to Total Incremental Costs	35.55%	40.10%	38.15%
Percentage of Labor & Overhead to Total Incremental Costs	58.32%	71.70%	65.96%
Percentage of Non-Labor to Total Incremental Costs	41.53%	28.30%	33.97%

Voluntary Demand Response Program

Labor	34,192	727	0	34,919
Non-labor:				
Materials	0	0	0	0
Services	0	0	0	0
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	(47,181)	0	(47,181)
Vehicle	0	0	0	0
Total Non Labor	0	(47,181)	0	(47,181)
Employee Benefits	378	0	0	378
Overhead	19,809	465	0	20,274
Total	54,379	(45,989)	0	8,390

Percentage of Labor to Total Incremental Costs	62.88%	-1.58%	416.20%
Percentage of Labor & Overhead to Total Incremental Costs	99.30%	-2.59%	657.84%
Percentage of Non-Labor to Total Incremental Costs	0.00%	102.59%	-562.35%

San Diego Gas & Electric Company
Incremental Costs by Program
For Years 2001 - 2003

Incremental Costs per Detailed Report					
		2001	2002	2003	Total
Grand Total					
Labor		72,172	303,477	134,209	509,858
Non-labor:					
Materials		260,866	26,065	11,502	298,433
Services		103,088	278,078	63,432	444,598
Miscellaneous		0	61,679	0	61,679
Telephone		6,515	1,933	8,246	16,694
Accounting Adjustments		0	(245,662)	(37,160)	(282,822)
Vehicle		4,052	6	0	4,058
Total Non Labor		374,521	122,099	46,020	542,640
Employee Benefits		1,512	3,084	839	5,435
Overhead		50,355	216,902	98,447	365,704
Total		498,560	645,562	279,515	1,423,637
Percentage of Labor to Total Incremental Costs		14.48%	47.01%	48.01%	35.81%
Percentage of Labor & Overhead to Total Incremental Costs		24.58%	80.61%	83.24%	61.50%
Percentage of Non-Labor to Total Incremental Costs		75.12%	18.91%	16.46%	38.12%
Rev. Requirements - Circuit Reconfiguration		0	32,251	132,438	164,689
Rev. Requirements - Rotating Outage		0	56,818	56,985	113,803
Interest - 2001		2,475			2,475
Interest - 2002			13,324		13,324
Interest - 2003				17,023	17,023
		2,475	102,393	206,446	311,314
Total SDG&E ILROPMA Detail plus Interest & Rev. Requirements		501,035	747,955	485,961	1,734,951
Less: Audit Adjustments					
ICP costs to be disallowed					
RBWP - costs inadvertently included in ILROPMA. SDG&E will make necessary adjustments.		0	0	0	0
Total Adjustments before interest adjustments		0	(39,153)	0	(39,153)
Interests Adjustments:					
2001 in 2001 Total 2001	SDG&E CPUC	2,475	2,359	(116)	(116)
2001 in 2002			8,714		
2002 in 2002		13,324	1,926		
Total 2002		13,324	10,640	(2,684)	(2,684)
2001 in 2003			5,814		
2002 in 2003			7,957		
2003 in 2003		17,023	2,466		
Total 2003		17,023	16,237	(786)	(786)
		32,822	29,236	(116)	(3,586)
Total Audit Adjustments		(116)	(41,837)	(786)	(42,739)
Adjusted Incremental Costs - to be Allowed		500,919	706,118	485,175	1,692,212
SDG&E AEAP Recovery Requests		467,138	781,847	485,915	1,734,900
Total Difference between AEAP and CPUC		33,781	(75,729)	(740)	(42,688)